



# **“Making transitions pay”: The “Transitional labour markets” approach to “Flexicurity”**

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# **“MAKING *TRANSITIONS* PAY” : THE “TRANSITIONAL LABOUR MARKETS” APPROACH TO “FLEXICURITY”**

Bernard Gazier  
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## **Summary**

This contribution intends to discuss the various meanings and the consistency of the now popular policy principle of “flexicurity” by using a specific theoretical approach ; the “Transitional Labour Markets” (TLM). The text is organised in three sections. First, we intend to get inside the “flexicurity” “black box”, in order to go beyond the catchword and discuss some analytical elements. This will lead to identify more precisely some basic problems which need to be addressed by any “flexicurity” – developing policy. Second, we introduce the TLM comprehensive and dynamic perspective and briefly deal with its consequences. Third, we turn to the European diversity and we examine how various “institutional complementarities” may be identified and used in order to ensure a better management of “transitions”, which is tantamount to distinguishing different national or local versions of “flexicurity”.

Key words : Social Protection, Labour Market Policies, Welfare Reform

## Introduction

While “flexicurity” seems to be more and more diffused as a policy objective in Europe, there is still no consensus about its meaning and implications. One easily agrees about the basic problems and challenges at stake: in the context of globalisation, ensuring the needed adaptation of the workforce, by reforming employment protection, and/or labour market policies and labour market/social protection systems functioning. The common view is that, at least in some of the most developed European countries, Employment Protection Legislation (EPL) is too protective and should be relaxed, this process being possibly compensated by other guarantees given to workers. This does not go without resistances and confrontations. On the other hand, we witness the emergence of new rights and techniques concerning career management and career development: rights to (re)training, to various leaves, to time banking accounts, to individual coaching and employability assessment, to transferable pension entitlements, to transferable skills... This is much more easily admitted by social partners. Both sides of the coin are present in the perspective of organising non-standard jobs and trajectories while hopefully fostering collective trust and investments in training.

In this contribution, we present, as a normative exercise, an attempt at clarifying this policy objective by using the “Transitional Labour Markets” (TLM) framework (Schmid and Gazier 2002, Gazier 2005a, Auer and Gazier 2006). Shortly put, this approach is characterised by two main traits. First, it develops a global, open and dynamic view of the labour market; second, it insists on the autonomous management of social risk by individuals and groups supporting each other (Schmid 2006). The dialogue between the TLM researchers and the promoters of flexicurity is a quite ancient and active one. For example, one of the earliest contributions on flexicurity has been published in 1998 by Ton Wilthagen in the WZB working papers collection directed by G. Schmid (Wilthagen 1998) and G. Schmid himself presented several papers on the topic (cf. for example Schmid 2003, and more recently Leschke and al 2006, cf. their contribution in this book). We intend to exploit in a more systematic way this relevance and to identify the main policy consequences stemming from this approach in the European case. In such a task, two key problems appear. The first is the evident reluctance of workers and unions to accept this type of labour market and social reform; the second is the wide diversity of national and local arrangements regarding labour market adjustments and (in)security in Europe. We shall argue that the TLM approach, precisely because of its bargaining and encompassing vision, may reveal quite adapted to such a challenge. But it leads to a particular, collective version of “flexicurity”.

This contribution is organised in three sections. First, we intend to get inside the “flexicurity” “black box”, in order to go beyond the catchword and discuss some analytical elements. This will lead to identify more precisely some basic problems which need to be addressed by any “flexicurity” – developing policy. Second, we introduce the TLM comprehensive and dynamic perspective and its consequences. Third, we turn to the European diversity and we examine how various “institutional complementarities” may be identified and used in order to ensure a better management of “transitions”, which is tantamount to distinguishing different national or local versions of “flexicurity”.

## I. “Flexicurity”: inside the black box

We start by *directly* considering the relationship between flexibility and security. At this first step we temporarily adopt the commonsense perception which insists on urgent needs, felt by employers and policymakers, for adaptation and flexibility of labour in “globalised” knowledge – based economies, while workers, in front of the rise of precarious jobs or contingent work, the persistence of mass unemployment, and the threat of permanent restructuring, ask for more security. We focus on two quite different simple versions of this relationship. Then we go on and discuss the underlying presuppositions, in order to arrive at a more realistic but complex relationship. Neither a pure trade-off, nor a simple complementarity, but a marriage: a complex and evolving relationship.

### Trade – off or synergies?

A common way of connecting flexibility and security is to present them as a *trade-off*, with partial substitution. The more you develop flexibility, the less you have security and vice versa. So “flexicurity” may be understood as a recent and relatively new way of managing this trade-off: the suggestion is to lessen Employment Protection Legislation, and compensate by more “active” labour market policies and more social protection, centred on persons rather than on existing jobs. This perception is the dominant one among policy makers (for a recent illustration and discussion, see Auer 2006).

A recent work by Robert Boyer (Boyer 2006) argues in a seemingly opposite way. Boyer defines “flexicurity” as the “explicit and coordinated management of the complementarities of three institutions: the labour law, the unemployment insurance regime and the labour market policies”. He argues that the possible *synergies* between these three institutions were previously underexploited because their management was weakly coordinated. He shows that a new security emerges, compatible with a “high speed labour market” as observed in Denmark.

In fact both positions are not as opposed as they seem to be. In Peter Auer’s language, the Danish success could be termed a “balanced” management of the trade – off. And Robert Boyer insists on the pragmatic and changing trial and error process which characterises the Danish policies. This suggests that the issue needs to be deepened.

### Back to the definitions and the needs

What is or could be concerned by complementarity and substitution? We have to go back to definitional issues from an explicit economic analysis viewpoint. A more analytical discussion is in order.

Here the work by Leschke, Schmid and Griga proves very helpful (Leschke and al. 2006; cf also their contribution in this book). Resuming a series of previous definition works, notably by Ton Wilthagen (Wilthagen and Tros 2004), they propose, in a functionalist way, to distinguish four basic meanings for flexibility and also four for security.

Their findings can be summed up in two elementary tables as follows:

	Numerical flexibility	Functional flexibility
External flexibility	Hire and fire Fixed – term contracts Temp – agency work Casual work Temporary lay-off	Outsourcing Labour market wage differentiation Off-the-job learning Tailor-made temp work
Internal flexibility	Overtime and short-time work Part-time work Time - banking	Multiple skills Flexible work organisation On-the-job training Performance – related pay

**Table 1. Four analytical components of flexibility**

Adapted from Leschke and al, 2006

	In – employment security	Out-of-employment security
No reallocation of work	Granting the continuation of the same job “Job security”	Income replacement “Income security”
Reallocation of work	Granting another job/work “Employment security” or “Employability security”	Granting a combination of work/job and income “Option security”

**Table 2. Four versions of security**

Adapted from Leschke and al, 2006

A few comments are in order here.

First, flexibility here is considered as a way of coping with adaptation needs of firms, seen from the point of view of employers, while security, in a symmetrical position, is seen from the point of view of workers. This is the traditional debate. We choose to focus on it but two caveats should be kept in mind.

- Both needs: flexibility for firms and security for workers, are here taken for granted. However, it should be remarked that employers too need security of labour, for example in order to train and retain a skilled and efficient workforce, and to capture productivity gains; employees too need flexibility, for example in order to cope with family needs which may quickly change over time.

- Flexibility should not be confused with volatility: it may concern a wide range of instruments, and it is best characterized as a multiple and coordinated answer capacity to complex adaptation needs. If we consider flexibility as a property of a system, it is obtained through the adjustment of some variables but it also relies on some fixed points or relations.

Second, both tables distinguish first internal / external dimensions, and then consider another differentiation, according to the numerical / functional dimension for flexibility, presence / absence of reallocation of work for security.

Third, the tables exhibit a striking heterogeneity in their contents. They gather and present at the same level various tools and behaviours, without assessing costs, efficiency, nor social desirability. Some of them are as old as the employment relationship, while others, such as time-banking, are recent and more sophisticated developments. The aim here is to draw a rich picture of the range of effective practices, not to select best or worst practices. As a matter of fact, it seems that in almost every European country all eight logical possibilities are currently more or less explored and that numerous combinations of tools have been or are experienced.

Fourth, the classification has the effect of splitting some usual notions, such as wage flexibility, here broken down into two components, the first referring to wage changes according to supply and demand of a given kind of competence, the second to performance-related pay. Wage flexibility may refer to factors market or to product market: this analytical dimension may be of some importance.

Last, this elementary logical exercise suggests that the combination of flexibility and security may change according to the considered components. One may remark that even the “job security” cell, which seems to sum up an undesirable immobile costly and maybe irrational option, could be associated with high internal flexibility and then be useful and relevant in some contexts and within given boundaries. So the question becomes : how do a component combines with each other ?

### A complicated marriage

We can now go back to our discussion about trade – offs and “complementarities”. They may depend on the kind of flexibility components and security versions each country or firm develops, and on the compatibility such a choice may reveal. It is pointless to examine in detail how each tool/practice affects and is affected by others, because in the real world they are either simultaneously used or combined. In order to identify how these elementary analytical distinctions may fit or conflict, Leschke and al. match options of both kinds and obtain elementary pairs of flexibility components and security versions. This generates 16 possibilities, and they identify for each pair one or several type(s) of relationship:

	<b>Security</b>			
	Job security	Employment / Employability	Income security	Option security

Flexibility		security		
External/numerical	t	t/c/v	t/c/v	t
Internal/numerical	c	c	(t)/c	t/c
Internal/functional	c	c	t/c	(t)/c
External/functional	c	t/c/v	t/c	t/c

**Table 3. The flexibility – security nexus: trade-off (t), complementary (c) or vicious relationship (v)**

Source: Leschke and al, 2006, p. 4

For more detailed comments about this table, the reader may refer to the above cited contribution of Leschke and al. in this book. As regards the first column, it is pretty clear why there is a trade-off (t) between external/numerical flexibility and job security: the more you have of the first, the less you have of the second. Other flexibility components allow to keep people in their jobs with other adjustments, so they lead to a complementary relationship (c) with job security.

Here we wish to underline the possibility of “vicious” relationships (v). These negative complementarities (leading to losses, vicious circles) are associated with the external components of flexibility, either numerical or functional, in some combinations. External/numerical flexibility may consist of “hire and fire” practices and of precarious short-term jobs. This may interact in a perverse way with employability security : a downwards spiral of low commitment, little investment in the workforce and distrust leads firms to propose more and more precarious jobs, etc., this could be termed the *distrust and low investment spiral*; and with income security : more people in unemployment insurance and in the welfare rolls may lead to more taxes, increased labour costs, and less competitiveness, then to more dismissals, etc. this could be termed the *inactivity spiral*. The external/functional flexibility too may be associated with vicious circles, in combination with the employment/employability security: outsourcing and wage flexibility may foster another distrust and low investment spiral.

The emerging picture is a complex one: it should be stressed that some components of external flexibility can be associated with strong (and maybe costly) security, it is the case of temporary lay-off practices and of high-quality, tailor-made temp agency work. And the labour market is not at all homogeneous: it is a more or less strongly segmented reality, some segments enjoying some favourable combinations and others being possibly trapped in perverse complementarities. But the overall direction is indicated by the matrix: one should go beyond the limited trade-off between job security and external/numerical flexibility, this is the core of any “flexicurity” approach. This leads to two questions. The first one is: who is or should be in charge of organizing these combinations? The State and its policymakers? The firms and the unions? Other actors? And the second one stems from this first question : who pays or should pay ?

One may bring some preliminary answers to the first question by going back to the traditional perception of “flexicurity” as an exchange between less Employment Protection Legislation (EPL) and more “Active” Labour Market Policies (ALMP), together with more Social Protection (SP). In this narrow approach, the State is the main responsible for

implementing “flexicurity”. The main message of Leschke and al. is quite different: the involvement of firms is central in their matrix, through internal adaptation, polyvalence etc. Another key dimension should be mentioned, even if it remains implicit in this presentation: the “option security” which combines more or less durable work positions with income transfers may involve local actors such as municipalities and regions, non-profit networks...

We are led to distinguish between at least two versions of “flexicurity”: a narrow one, which mainly consists exchanging less EPL for more ALMP and more SP. And an enlarged one, which introduces the variety of firms’ internal adjustments as well as the intervention of local actors developing “option security”. We may sum up this short analytical discussion by emphasizing the wide range of dimensions and actors which are to be considered when one deals with “flexicurity”.

## II. “Transitional Labour Markets” as a comprehensive and dynamic approach to flexicurity

Up to now, our picture remained a static and isolated one. Most of labour market specialists agree that we have to move from a static towards a dynamic perception of the labour market: job creation and job destruction are at the heart of its functioning (Davis and Haltiwanger 1996). People go from one job to another, jobs shift from one sector to another, the job structure in a given firm changes too. These dynamic concerns imply a widening of the analysis of the decisions affecting work and employment; they typically depend on the connexion between labour markets and the various institutions of the social protection system, and on the connection between labour markets and the macroeconomic functioning. So we have to consider trajectories and “transitions”, not situations at a given point of time, and their interaction with the overall economy. In this section we shall briefly distinguish between the positive and normative dimensions of “transitions”, and explicit TLM as a normative perspective. Then we shall oppose two simple strategies for ensuring some collective control of this dynamic process, and arrive to the motto “Making *Transitions* Pay”.

### Transitions: from positive analysis to TLM criteria and prescriptions

“Transitions” here mean steps in individual trajectories : change from one situation to another within a set of given states related to work, i.e. being employed, or inactive, unemployed, self – employed, etc.. More and more empirical analyses are made about the “transitions” occurring in a given country or group of countries and their determinants. It is possible and useful to build and interpret “transitions matrixes”. A good example of such an



analysis is given in the 2004 edition of *Employment in Europe* (European Commission, 2004, ch. 4).

The debate on the determinants of “transitions” is still open to diverging analytical frameworks. Some authors stay inside the traditional market analysis framework, and refer to traditional supply and demand equilibrium, to the stickiness of wages etc. (for a recent example insisting on the complementarities of different categories of workers, see Zimmermann, 2004). They introduce incentives considerations and connect in this way the labour market to the social protection system. Other analysts introduce an explicitly dynamic perspective such as the “matching theory” of the employment relationship. They also introduce individual incentives, and take into account dynamic externalities<sup>1</sup> (cf. for example, Boone and van Ours, 2004). Last, other, wider, perspectives consider that institutions may play positive roles as well as negative ones beyond individual incentives effects. They focus on the “variety of capitalism” and try to capture a more complex and global view of the interplay of firms’ strategies, workers’ behaviour and institutions’ framing and incentives (cf. for example, Hall and Soskice (eds) 2001, Amable 2005). The TLM approach converges with this last perspective.

One important idea leads to the TLM policy-oriented view of transitions: the trajectories of workers are interdependent. It is necessary to extend the reasoning to the whole set of “transitions” which can be accomplished by any worker: not only the transitions from one job to another and from unemployment to employment (or the reverse), but also the transitions between non-paid activities (such as childrearing, household activities, benevolent and militant activities), education and training, inactivity, as well as employment and unemployment. And the stake becomes to ensure some collective coordination among them.

The TLM approach classically identifies five main “transitional” fields (Schmid 1995): within employment, between education and employment, between unemployment and employment, socially useful activities and employment, and inactivity and employment<sup>2</sup>. A desirable state of affairs regarding employment and transitions is to limit or avoid “bad” transitions leading to poverty and exclusion, and to develop “good transitions” leading to social integration, decent income and favourable career prospects. TLM may be defined as *the systematic and bargained management of transitions* in order to reach or approach this state of affairs. The key tenet is that transitions, precisely because they connect very different spheres such as training, domestic activities, self employment, etc., have to be managed in a coordinated way : my mobility depends on your mobility.

A given transition may not be “good” or “bad” by itself but depends on the set of opportunities it allows to reach and on the individual capacity to use them. For example, a short term labour contract may be a stepping stone towards a stable situation, or be part of a series of unstable and precarious experiences. An unemployment spell may become a “critical” transition when it is undergone by a low-skilled worker in a depressed area: it could become the beginning of an exclusion process, especially if it brings poverty and is combined with family disruption (divorce).

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<sup>1</sup> An externality is an economic effect (either positive or negative) not captured by the price system. The dynamic dimension is inter-temporal. For example a congestion effect impeding workers from easily finding job offers, leading to an under-investment in training whose consequences are felt later.

<sup>2</sup> It must be noted that other transitions are not only possible but frequent: between household and inactivity, between training and unemployment...

Some basic principles of transitions management have been identified, discussed and reformulated. Here is a well – accepted list (Schmid and Gazier 2002):

The first is “empowerment”: transitions must be managed in such a way that individuals gain an increased power over their life and work trajectory.

The second is solidarity: it is a constant trait of unemployment insurance that the “good” risks (stable and skilled workers) should pay for the “bad” ones (precarious and low-skilled workers) in a single unemployment insurance programme. The reason is that the latter, the most in need for an Unemployment Insurance, are unable to build it alone. The same line of reasoning applies to the management of all transitions.

The third is the sharing of responsibilities. Co-financing is a priority wherever possible, in order to develop incentives for every stakeholder.

The fourth is the search for efficiency through decentralised management by objectives.

In a nutshell, TLM are first *a proposal of a Labour Market Policy reform*, following the four principles set out above. They foster the appropriation by social partners of labour market policies, which should become part and parcel of wider local – regional bargains about transitions opportunities. However, a second and complementary aspect of TLM has been developed: *a reform proposal of the employment relationship*. When workers switch from a part-time to a full-time job into a given firm, when they suffer from unstable hours or enjoy free choice about holidays, they undergo “bad” transitions or enjoy “good” transitions as well as if they leave unemployment for employment or leave a firm for another one. TLM may be presented as a systematic way of managing risks and opportunities stemming from the very act of working and become a reform of the whole employment relationship, inside the firms and on the labour market. The main channel for conveying this reform is an enlargement of the bargaining process in industrial relations (Gazier and Schmid 2001). Typically, social partners have to bargain over “time saving accounts”, “wage insurance devices”, as well as over new mobility rights.

With the idea of granting new rights to workers: mobility, training, parental leave, career orientation and re-orientation... the TLM approach puts the emphasis on the innovative and bargained part of the “flexicurity” perspective. One has to combine them with existing labour market policies and to rely on employability construction rather than on employment protection. This should be done by developing a new, future-oriented security. Beyond the traditional social rights (social security in a wide sense), the aim is to entitle workers to choose and manage their own transitions during the whole life cycle. The recent developments of TLM in terms of “social risk management” (Schmid 2006) gives a more explicit justification from the micro-economic point of view of individual decision. Many subjective limits and objective shortcomings impede workers, especially disadvantaged workers, from taking the opportunities they may encounter in the labour markets and in the social life. A central example here is training and the so-called “Matthew effect” : those most in need are also the less able and willing to undertake training because they feel insecure, cannot afford it and do not expect credible paybacks.

So we arrive at the basic paradox of risk-taking in social and labour market matters (Schmid 2006, Leschke and al 2006): in modern cars, good brakes are a key condition for high speed; some high level basic security is a precondition for ensuring initiatives in the labour markets and a rapid reallocation of labour. And it should be completed, if necessary, by specific compensatory measures aimed at the most disadvantaged.

The main challenge is to do it in a coherent way. It implies to connect training and “social” policies together and to the whole net of “transitions”. These two fields are traditionally managed by firms, unions and policy makers in a separate way, with different criteria and different channels of financing and monitoring. The outcome of this transversal compensating and coordinating approach should be a more mobile and motivated workforce, able to take voluntary initiatives and accepting a high level set of reciprocal rights and obligations. Within the TLM framework, the “flexicurity” approach should start with more rights given to workers, inside firms as well as on the labour market. In some specified situations and for some groups of workers, this could lead policy makers and workers to accept less legal protection of employment, but with well-identified and credible counterparts.

The key question becomes the content of these “transitional” rights, and the way they can be implemented. We can distinguish two basic options. The first insists on individual initiatives and responsibility, and mainly organises an open access to the labour market, while the second, in the line of TLM, introduces collective arrangements because the concern is enlarged to the control of the labour markets’ functioning.

“Equipping people for the markets”: The individualistic dimension of the new social rights

A first version of the new social rights consists in fostering individual access to gainful jobs and hopefully to financial autonomy. The starting point is the need for more individual initiative in the “Schumpeterian” welfare state. It may be summed up by the idea that this new welfare state has to “equip people for the markets”, first of all by ensuring a good access to information about placement networks, jobs opportunities, pay levels, careers profiles, and by organizing and subsidizing vocational training and retraining. Secondly, barriers to mobility should be removed or lowered. This may concern excessive EPL, but this is also the role of transferability of diploma and entitlements, of job-to-job health insurance and pension portability.

In this perspective, the basic priorities are training and transferability. Training because it is an investment in human capital that may be freely used, a prerequisite for occupational mobility, and one of the most important ways of raising productivity in response to the challenge of globalisation. Transferability, because it ensures that more or less implicit productive knowledge and work experience become explicit and are incorporated into the marketable human capital of each worker.

“Asset-based welfare” is an often used catchword for integrating these rights in a global perspective (Gautié 2005). The training and retraining rights can take the form of grants given at a specified period of everybody’s lifecycle. This calls for an “activating” public employment service, not necessarily an expensive one, because the main concern is to promote individual initiatives. In this perspective, a typical policy tool which is currently used or experimented in some OECD countries is the “re-employment bonus” (see Tejada and Swaim, 2004). The principle is to subsidize the displaced worker who finds and accept a new job, especially if this new job entails wage losses. The hope is to save money from the unemployment insurance by shortening the unemployment spells, and to ease labour market mobility.

In the USA and some European countries such as U.K., the traditional firms’ and employees’ co-financing of pensions and health insurance led to a long lasting debate about

the detrimental consequences of such arrangements on workers mobility and free choice, and to laws and acts implementing “portable” pensions and health insurance rights. However the final balance remains to be drawn. Employers’ non-portable contributions were a way of retaining workers and securing productivity gains from a durable employment relationship. While other productivity gains can be expected from a change to another firm, the key point is the comparison between both gains, so one advantage may offset the other (see Dey 2000 in the case of health insurance in the U.S.). We find here the idea that systematically fostering any kind of labour mobility is not a real policy option.

Besides this complexity, one may remark that ensuring free access to labour market opportunities does not guarantee that these opportunities exist nor that they are satisfactory. This is one of the main limits of the motto “Making Work Pay” which sums up this orientation (Gazier and Zajdela 2005). Such a strategy consists in organising social protection payments in such a way that individuals are always pushed to take jobs, and that “inactivity traps” are eliminated. It ends up in fostering the access to jobs with little consideration for their quality. It relies on the hope that inside employment people will either climb up the job ladder inside firms or become able to change for better jobs. Recent econometric studies (European Commission 2004, *op. cit.*) show that quite often it is not always the case in Europe. So, fostering individual access to networks and opportunities is a necessary condition for securing “good transitions”, but it may not be a sufficient one.

“Equipping markets for the people”: the collective dimensions of the new social rights

Beyond this first answer - to organise labour market discipline and access, and to rely on existing opportunities-, a second answer appears: to develop collective guarantees beyond access and opportunities and in particular to provide last resort employment in difficult times and additional guarantees for disadvantaged groups. Seen from a business cycle perspective, both points of view could be and have been already combined (Auer 2006): in recession periods, it is appropriate to develop employment generation programmes; when recovery starts, the use of employment subsidies may speed up the rhythm of job taking and help backwards jobseekers; while in prosperous periods the focus shifts on training and free access. So the question becomes the degree of ambition and of “institutionalisation” of Labour Market Policy programmes each country may develop.

In this second version, most of the preceding elements remain, but they are completed in order to avoid putting an excessive weight on the disadvantaged workers, and confining them to low-paid and low quality jobs. Then, the perspective becomes “equipping people for the markets” *and* “equipping markets for the people”. We arrive at a complementary set of new social rights: rights to benefit from a rich infrastructure of employment services, from secured transitions in case of adverse conditions in the labour market, from employability agreements between social and/or local partners, from time saving accounts...

The need for a rich infrastructure of employment services as well as the collective commitment to securing temporary job experiences and opportunities stem from the insistence put on the state or the region as a last resort employer. On the other side, the employability promotion agreements and the enriched career options correspond to the firms’ responsibility in maintaining and developing employability and rich career options.

Of course, these rights cannot be separated from reciprocal obligations for the workers. They have to adapt to changing conditions. We can illustrate this by two examples of firm-level bargained management of employability:

- The case of Dutch Railways (cf Gazier and Schmid, 2001) illustrate how it is possible to directly bargain over the collective employability of the employees. Confronted to a probable perspective of downsizing, the social partners of this big railway enterprise chose to prepare its employees in a systematic way. The union decided to give up some wage increases in order to organise every three years a mandatory individual competence balances for each employee. The balances are to be done by an independent expert cabinet chosen by the firm and the union representatives. If the competence level of a person proves to be incompatible with real labour market opportunities at the same wage level, then two sets of obligations are imposed : the firms is obliged to pay for and organise the needed training and adaptation programmes, and the concerned employee is obliged to attend and complete the programmes.
- The case of the Austrian Steel Foundations (Winter-Ebmer, 2001) is similar and more complex because it involves a wider set of actors. This institutional arrangement aims to help managing redundancy dismissals in a socially responsible manner. Very often in Europe, the firms dismiss low-skilled workers who quickly suffer from a stigma and have strong difficulties in finding another job. The Austrian practice is to set up a work foundation whose aim is to help workers to find re-employment through retraining and placement initiatives, and whose resources are fourfold. First, the foundation's capital is given by the firm, thus granting its independency as long as it is needed. Second, the workers "clients" give one third of their unemployment benefits and then act as co-investors. Third, the Foundation receives help from the public LMP funds. And last but not least, it benefits from a small tax levied over the workers remaining employed by the dismissing firm. So everybody has incentives in favour of a good outcome. The firm wants to get back its capital, the "clients" prefer to find quickly a new job, public services also invest in the programme, while the remaining workers give a solidarity contribution. This characteristics lead to a very important consequence: workers engaging into retraining and placement activities are volunteers and do not suffer from the stigma evoked above. The evaluation realized by R. Winter-Ebmer (Winter-Ebmer, 2001) shows that the overall balance of such an arrangement is positive: most of the leaving workers find another job. In this context, very close to the principles of TLM management of transitions, the approach combines the active participation of firms with new rights given to their workers.

However these examples remain partial. We have to consider the global management of transitions in this second option. The classical example here is of course the "golden triangle" as implemented by the Danish government and social partners (Madsen 2003; Bredgaard, Larsen and Madsen 2005; Boyer 2006, and several contributions in this book). As it is now well-known, the Danish arrangement combines a high – level unemployment benefit (especially in the case of low wages) with a low – level employment protection legislation and a well – developed set of active labour market policy programmes.

Apparently, this corresponds to the narrow definition of "flexicurity" as we introduced it in our previous section. However, it should be stressed here that the Danish policy is established and implemented under the initiative and control of social partners, and results from a long-lasting process of changes and adaptation in a very specific context (Barbier 2006). The importance of small and medium sized firms in Denmark explains why a collective choice has been made in favour of a light EPL, compensated by a very strong public intervention in the labour market.

Another trait should be taken into account, which makes largely irrelevant the reference to the narrow, traditional definition of "flexicurity". The generosity of the Danish unemployment benefit is striking: it pays up to 90 % of the previous wage, precisely for workers earning low wages, which is the reverse of the "Making work pay" motto dominated by financial moral hazard concerns. Another motto becomes relevant here: "Making

*transitions pay*". It should in this view replace the OECD inspired "Making work pay" motto, because it includes a large part of it and overcomes some of its drawbacks (Gazier and Zajdela 2005). While as we saw "Making work pay" seeks to push people into jobs whatever quality they may have, "Making transitions pay" puts the emphasis on job quality, on competences accumulation, on long term consequences of training and placement decisions. It keeps the insistence of developing individual autonomy but warns against undue development of low quality part-time jobs (with as a consequence the durable appearance of a "working poor" group). It deals with moral hazard concerns in another way: it replaces market discipline by social discipline and accompanying policies. It fosters a simultaneous and explicit management of "activation" and of what could be termed "de-activation" policies, i.e. policies organising career sequences out of traditional paid jobs, for example time spent caring a dependent parent.

The implementation of this TLM-inspired "flexicurity" is closely connected with several "local" bargaining processes over "transitions". The reason is straightforward: the task of organising various transitions regarding training, parental leaves, replacement schemes, non-profit part-time jobs, etc., needs a local coordination and implementation. "Local" here means of course a region or a municipality area; but it also means the firm's level, or the sector. It depends on the existing actors and on the minimum size of the opportunity space they need to develop. A big firm in itself may constitute a relevant bargaining unit, as a big municipality. This "local" priority makes necessary to organise transfers by the national state. Otherwise rich regions may enjoy a "rich" set of transitions while poor regions are left with insufficient opportunities and financing.

This enlarged version of "flexicurity" implies the development of a wide set of partnerships, including training institutions and non-profit organisations. Pragmatic considerations as well as theoretically-based arguments (Touffut (ed) 2006; Kaul and Conceição (eds) 2006) show that there is a wide range of possible options here, from massive privatization to decentralised and contractual arrangements involving public, non-profit and private bodies. The common priority is to develop more individual initiative and to bring actors closer to the consequences of their decisions. The combinations currently explored in the E.U. are quite various and evolving. However it should be underlined that privatizing services such as the placement services for the hard-to-place remains a difficult issue (especially, organising tenders makes it necessary to specify the "product"), and a controversial one (with the risk of "creaming"). Public-Private Partnerships are commonly experimented; in order to remain equilibrated, they suppose that the public bodies keep a real expertise capacity and probably keep a meaningful activity in the domain.

This leads to some considerations regarding the costs of such policies. Far away from taking short-term advantages from a depressed labour market, the policies we reviewed look for positive long-term implications and may seem more costly. However looking for short-term advantages may reveal very costly too in the medium and long-term, with discouraged workers and low mobility, as it has been shown by the "vicious circles" identified in the matrix presented in our first section. Ambitious "flexicurity" policies may be managed in a sound and cost-containing way if they rely on some general principles already discussed for TLM implementation (Gazier 2002):

- First, they should rely on co-financing and manage moral hazard problems by developing a sequential approach to employability development. "Local" transitions should be financed at

least partly by local actors (municipalities, regions, non-profit networks) as well as by social partners because they find an interest in their development. In the same vein these policies should develop incentives, not only for individuals, but also for institutions, notably by setting some feedback mechanisms in financing circuits: the more an institution spends in improving the trajectories of its “clients”, the easier should become its financing. This is the case when the budget of “activating” unemployment insurance benefit from falling rolls, and so this institution becomes able to develop further “activating” devices.

- Second, they should exploit the potential of wage moderation, and capture externalities such as savings stemming from a low level of unemployment and a high level of voluntary mobility.

### III. Transitions and “flexicurity” in Europe: the societal dimension

If now we consider the European achievements and challenges, we have first to recognize the wide diversity of national and local situations regarding labour market functioning and security. Despite this diversity, it is possible to identify some common traits that already characterize the European way, and may be developed further in a more ambitious “flexicurity” perspective. Then we shall present some policy implications in the TLM perspective: avoiding the vicious circles we evoked in our section 1, and ensuring a basic level of security; exploiting complementarities and building “transitional labour market” adjustments in diverse institutional and productive settings.

#### Employment and social protection regimes in Europe: diversity under pressure

The European diversity is considerable, well-known, and has increased with the recent enlargement. It concerns performances as well as social systems. We just have to mention the differences in employment and unemployment rates, in the share of non standard jobs, of part-time jobs, in the “transitions” patterns leading either to well- paid and stable jobs or to unstable jobs and even exclusion (on these points, cf. the various issues of *Employment in Europe*). Regarding social systems, one has to recall the variety of founding principles (Bismarckian Welfare States versus Beveridgian Welfare states), the emergence of hybrid systems, and the strong variations in the funding and generosity of Unemployment Insurance as well as in the strictness of Employment Protection Legislation.

A striking opposition between one typical European country and the U.S.A. may give us a starting point. When one looks at the career profiles of young people (from 20 to 30 years old), they are quite different in two countries such as Germany and the United States. In the former, young workers, typically coming from the apprenticeship system, possess a well-identified qualification, and have access to almost the same wage and promotion opportunities in the different firms they can choose. Accordingly, internal progression is rewarded, and one can observe only a limited number of job changes from one firm to another. The reverse holds

true for the U.S.A.. In this latter country, there is little apprenticeship system, and in a beginning of career it is quite well accepted and even recommended to take stock of different experiences in many firms. Young workers have to send, so to speak, a signal of autonomy and initiative as well as to accumulate on-the-job training. Accordingly, young workers may often change from one job to another. Such a behaviour may be perceived as unstable and detrimental in Germany, but active and normal in the USA.

A complementary example, known for a long time (Blank (ed) 1994) is the management of temporary excess staffing: a key role is played in the USA by the “lay-off and recall system”, while in Germany or France, the key role is played by time modulation (short time work, hours modulation and supplementary hours), with, in the end, a similar adaptability on each side of the Atlantic Ocean. So, external numerical adaptation may, to some extent, be replaced by internal adaptation.

This suggests two important ideas. The first is that the existing labour markets combinations of flexibility and security function in a different way given the different institutions which surround and assist them. The second is that under some conditions, different functionings may end up in similar outcomes: behaviours and institutions may yield “functional equivalents”.

Both examples illustrate the clear difference in the role played by direct market adjustments: in the USA, wage and employment flexibility are central, while in Germany and some other countries, ex-ante and bargained arrangements dominate. Very often studied, this difference goes along with another one in the role played by labour market policies. This last one is striking : while the USA spend only 0.5 % of their GDP in “active” and “passive” labour market policies, most of the European countries typically spend much more : around 4 - 5 % for Denmark and the Netherlands, 3 % for France and Germany, and so on. Direct labour market adjustments seem to preclude intensive use of LMP, while bargained adjustments seem to be quite compatible with them, and even foster them.

It is the reason why one may speak of “employment and social protection regimes” (cf Gazier and Lechevalier 2007) in order to identify these related sets of differences. The use of such a term stresses their possible internal coherence at a given moment of time. However, this coherence is never granted and could be only partial and conditional upon some circumstances. It may be weakened and even broken in some other situations. It may depend on past arrangements and past national trajectories.

This short text has no place for getting into detailed intra-European comparisons of “employment and social protection regimes”. Two “institutional/functional” aspects deserve mentioning. First, in any labour market, one should expect to observe the combined adjustment roles of prices and quantities and qualities, that mean : wages, work volumes and numbers of available workers, and skills levels. According to national traditions and specific institutional settings, labour market adjustments may rely more or less strongly on some channel<sup>3</sup>. Two evidences appear here. First, each variable is a complex one and should be decomposed into several sub - variables, as we did in an elementary way with wages variations in our first section. Second, adaptation may be, deliberately or not, impeded by

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<sup>3</sup> For a comparative analysis of five European countries adjustments in the case of mass dismissals, connecting this variety to the well-known typology of social protection regimes according to Esping – Andersen, see Gazier 2005b



multiple considerations. For example, wages are not only a market clearing and allocating device. They may perform an incentive role, they have a moral/political meaning (“fair” wage, minimum wage), they are part of the hierarchy positioning of workers, etc. It suggests that European countries differ, first, in the importance they give or tolerate to wages adjustments: the size of the span of wage differentiation (Mourre 2005), the relative importance of variable components of pay..., and second in the importance they give to alternative adjustments, either by quantities (early retirement, temporary or permanent public jobs, regulating weekly working time...) or by qualities (importance of training and re-training policies)<sup>4</sup>. Typically, countries like UK and Ireland rely strongly on market adjustments, while the Nordic countries make an intensive use of training and so try to obtain and exploit quality adjustments, the so-called “continental” economies exploring more the volume/quantities variations register.

The second aspect is that these differences rely on various stabilisation/adaptation bases of workers in the economy: some countries enjoy many big-sized firms, while others mainly possess SME. In the first case, this may lead to strong EPL, designed for big firms and more or less relaxed for smaller ones; in this context, stabilisation starts from a traditional “internal labour market” or “occupational labour market” basis. This depends on the existence and quality of initial professional training. “Internal labour markets” are a cheap and efficient way of integrating young people left unskilled at the end of basic general education: big firms recruit and train them on the job. “Occupational labour markets” are typical of countries possessing a strong system of apprenticeship: young people enter the firms with a well-identified transferable set of skills, and progress inside the career accordingly. In other countries, the basis is mainly made of networks or local/regional ties. This could be combined with an occupational basis, as in the case of “industrial districts”. Such situations and arrangements are compatible with a weak EPL; adjustments depend on multiple local interventions and initiatives.

All these arrangements are under pressure with the ongoing process of “globalisation”, and some of them reveal less adapted than others. The global tendency is twofold. First, all countries look for an increase in training adjustments, even in countries previously relying on market adjustments, as it is perceptible in the recent evolution of U.K.. Second, countries privileging volume adjustments may encounter serious difficulties, for several possible reasons. When they rely on traditional “internal labour markets”, the rising level of skills requirement can no more be met by on-the-job training; firms stop recruiting low-skilled workers and investing in them, and indeed try to get rid of them (Gautié 2004). Then a seemingly consensual way out is early retirement, but for other workers it may become tricky to find another job at the previous wage. Presenting a comparison of the size and origins of wage losses undergone by displaced workers in France and in the USA, Lefranc (Lefranc 2002) shows that the size is quite similar (contrary to the received wisdom) but the origins differs clearly: while in the USA the problem of displaced workers is to find another match with another firm, in France their main problem is the loss of firm-specific skills. This may lead to exclusion risks. When labour markets adjustments rely on traditional occupational labour markets, the problem is mitigated because skills are transferable; the main question becomes enhancing the adaptation capacity of a workforce needing a higher level of general, abstract education and confronting the challenge of the more or less radical reorientation of tasks. This may prove difficult because such workers do possess a strong professional identity and are accustomed to incremental changes.

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<sup>4</sup> It should be remarked that, from a functionalist/analytical point of view, increasing the skill level of the workforce while keeping wages at the existing level is tantamount to a smooth lowering of wages. Wage moderation can be (but is not always) an outcome of employability development policies (See Gazier (ed) 1999).

Such countries may look for more wage differentiation and market discipline, notably because training policies are difficult to reorient and may not yield visible results in the short and medium term. This is the case for some “continental” economies such as France and Germany, as well as for most countries from eastern Europe. But wage differentiation and market discipline are neither well accepted nor easy to implement in countries where different choices have been embedded in specific institutions and habits.

#### European ways: the common basis of “flexicurity”

The diversity of European arrangements regarding adaptation and security of workers should not be exaggerated. Many studies insist on the core of common values and common concerns under it, and two aspects are particularly relevant regarding “flexicurity” orientation and implementation.

The first is the importance of training. By international standards, the European workforce is a well – educated one, and this trait becomes one of the key asset the Union may exploit in the international competition. So strengthening this educational basis and developing life long learning has been, logically, put at the centre of the Lisbon Strategy. It should become a central component of “flexicurity”, the main question remaining how to finance and to implement it.

The second is the importance of social dialogue. Here again the European diversity in industrial relations seems and indeed is enormous : the rates of unionization range from less than 10 % of workers in France to 80 % in Denmark and Sweden, and very different arrangements of collective bargaining coexist. But this variety does not preclude a very active role of workers and employers unions in most of the European countries, a strong implication in the management of public affairs (in some countries unions manage the Unemployment Insurance, like in Belgium), and a deliberate effort aiming at fostering social dialogue at the European Union level (Auer 2006).

Regarding labour market adjustments, unions ask for credible compensatory protection; firms ask for more room for manoeuvre and may demand more “active” labour market policies and improved unemployment insurance; states look for a better reallocation and take into account macro – economic concerns (wage moderation, competitiveness) : each actor may find an interest in bargaining over the definition and implementation of “flexicurity” policies, and may admit discussing on the sharing of the costs. This may be achieved either through permanent social dialogue, or through periodic “social pacts”, which are a frequent trait of public governance in Europe.

Training and social dialogue are two basic components of the way Europe manage and should go on managing the flexibility – security nexus. Taken together, they point out a high-quality way towards labour market and social protection adjustment. This is here that the TLM approach may reveal helpful, with its focus on “transitions” as temporary positions in or around the labour market. They can be defined here as specific temporary combinations of prices, quantities and qualities, designed for conciliating the adaptation of the economy and the individual needs, and managed accordingly. This first means that a collective responsibility should appear when mass unemployment limits the number and quality of available positions. And second, that any out-of-paid-work position as well as any working position should be at least compatible with a maintained level of employability, and

preferably associated with a rise of this level. This logic of upwards adaptation remains partial. It should be combined with other policy interventions such as expansive macro-policies and innovation policies (cf. Amable 2005 for a converging statement).

Avoiding vicious circles: ensuring a basic level of security and fighting segmentation in diverse European contexts

As we underlined, “flexicurity” is not perceived by most of the workers as an unmixed blessing. They rightly feel risky to move on in a context of scarce opportunities and intense competition. So it is necessary to directly acknowledge the spontaneous resistance such policies may encounter: mobility is pro – cyclical and is easier in upswings and sustained growth: it becomes difficult in bad times, when it is really needed. The governments and policy makers should take into account this basic fact before devising any proposal in this direction. The simple perspective that a better labour market adjustment will hopefully end up in more opportunities is not enough, and should not be presented as the compensation offered to a lessened protection of workers.

This caveat is compounded by the negative experience of eastern European countries (Cazes and Nesporova 2001 and 2003). Enterprises suddenly exposed to harsh competition and deprived of state subsidies were forced to massively restructure their production and their workforce. These economies witnessed a marked acceleration of labour market flows after 1990. This resulted in a high perceived employment insecurity, and in some perverse behaviour: even in front of an improved job situation, workers are hesitant to quit their jobs voluntarily and to move on to other jobs. The implication is, in our view, that vicious circles of distrust and immobility are a meaningful and permanent risk in “flexicurity” matters.

The same argument holds, in our view, regarding the 2006 rejection of the “Contrat de Première Embauche” in France. This new labour contract introduced a two-year probation period for young workers (under 26) entering the labour market, and was presented as part of a “flexicurity” approach easing the integration of jobless youth<sup>5</sup>. But it was introduced by the French government without any negotiation, against the advice of social partners. It was perceived as too insecure, especially by students engaged into long lasting university courses. As a policy response, the French government completed progressively its proposal by giving additional rights (to housing advantages; to on-the-job retraining...). These efforts occurred when the distrust spiral was already active, and they were perceived as confirming the precarious character of the measure!

A parallel diagnosis has been formulated, in a much more detailed and explicitly TLM - inspired way, regarding some of the main measures of the so-called “Hartz reforms” in Germany (Leschke and al in this book). Lack of adequate security provision and distrust may either ruin the policy at its very birth, or impede part of the positive reallocation and adaptation process it seeks to trigger. A last example is paramount for the whole European

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<sup>5</sup> A two year probation periods seems excessive by all international standards. The UK had such a rule in the nineties, and in 1999 the government shortened this period to one year. Available evaluations show a 30 % lowering of quit rates for the concerned workers, no net effects on employment and unemployment, and a better investment in competences and training inside firms, from both sides, employees and employers (Marinescu 2006). For more details, see Auer and Gazier 2006.

Union: restructuring (Auer, Besse, Méda (eds) 2006). We presented in our section 2 the “virtuous case” of the Austrian Job Foundations. The spiral of distrust and low motivation may occur if the process hurts low-skilled and under-informed workers, not associated to the management of quits, dismissals and reallocation. Another inclusive and negotiated arrangement is the practice of “Job security agreements” as signed in Sweden, which take into account the workers hired on a short time basis as well as long-tenure workers. It has the interest of putting all concerned workers on an equal foot, thus bridging to some extent the gap between protected and non – protected workers.

This leads to a last concern regarding vicious circles. They may happen and become consolidated for some groups even in the case of apparently generous and satisfactory arrangements. “Flexicurity” policies, even apparently successful according to important criteria, may preserve or even create/reinforce labour market segmentation. A key example here is women. It is well-known that women undertake more “transitions” than men. The precise order of magnitude depends on the definition and measure statisticians adopt; but it can be safely said that approximately 60 % of “transitions” are performed by women and only 40 % by men. This is mainly accounted for by maternity leaves and the importance of part-time work. So, women take more career breaks than men, and some “flexicurity” policies may well develop secure forms of part-time jobs, ensure a better conciliation of family life and professional duties, and end up in secure but low earnings and weak career prospects. Such a situation has two visible effects and one less visible. First, income dependency remains the major risk if the unequal sharing of caring tasks does not allow sufficient earnings of women; second, their career remains hampered by staying in low responsibility positions with little accumulation of competences. The less visible effect could be an increased segmentation (Jepsen 2005): a “protected” circuit for women may develop, possibly with temporary relatively generous compensatory benefits. A specific vicious circle would start with an increased complementary income security for women engaged in caring activities; they reduce their working time in paid jobs, and then become less and less able to get back into “normal” job positions later. We find again here, possibly combined, the two vicious circles identified in our section 1: distrust and low investment spiral and inactivity spiral. A mitigated outcome in the same vein is the strong job segregation as experienced in Sweden: some sectors, often personal services sectors, show a huge concentration of jobs held by women only and appear as separate worlds sheltered from international competition.

In order to combat such tendencies, the “transitions” should be organised in such a way that unpaid work should not hamper career development of women. This may mean, among other things, that care leaves should be equally taken by men, and retraining should be a real option for parents re-entering the labour market and looking for really autonomous positions. So it is the long-term security and autonomy of each partner which should be the ultimate aim.

#### Exploiting complementarities between “societal coherence” and “functional equivalents”

In order to identify the complementarities which may be developed and the trade-offs which may be managed and possibly mitigated, one may start from the often discussed case of Denmark, rightly presented in our view as a successful implementation of “flexicurity”. The debate about this national version remains very lively (cf. the contributions in this book). Here we insist on some recent contributions which in our view help to go beyond too general ideas

and too specific national contexts (Barbier 2006; Boyer 2006 op. cit.). As we saw, the so-called “golden triangle” (Madsen 2003), made of relatively permissive firing rules, generous social protection and active labour market policies, has been generated in this small country with a long lasting tradition of social dialogue, very strong unions and numerous small and medium sized firms. This coherence is itself the result of permanent adaptation and efforts for dealing with problems with various tools and “tâtonnements”. This may be quite irrelevant in the case of a country dominated by big firms, like Sweden, where other versions of “flexicurity” have been developed. However, both countries share the importance of social dialogue and develop policies actively promoting training, retraining and inclusive arrangements.

So, different versions of “flexicurity” in different national contexts may rely on other rules and traditions. The key point is to identify and develop “functional equivalents”, i.e. different sets of institutions and rules yielding analogous results in similar situations. In a country dominated by big firms with ancient “internal labour markets”, this rather different situation may lead to put the priority on skill transferability and on the implication of local actors, including social partners, municipalities and networks of non-profit organisations, in order to generate temporary or durable work positions and allow some reallocation of labour for low-skilled workers. Such a collective construction of employability (Gazier (ed) 1999), however, has in common with Denmark the search for more “local” coordination and initiatives. In bigger countries, as we saw, it makes sense to build regional capabilities and responsibilities regarding not only employment and training, but, in a wider perspective, transitions management. In the “continental” cases it becomes a priority.

If we go back to the broad typology proposed by Esping – Andersen and if we set apart the Nordic countries with their already various ways of implementing “flexicurity”, we have to consider separately the “Anglo – saxon” regimes, the “continental” regimes and the “South of Europe” regimes in order to sketch at least three “local” versions of “flexicurity”.

For the Anglo – saxon regimes relying on a quite strong wage differentiation, four priorities could be set (Rodrigues 2006). The first would be to develop a more inclusive social protection, especially for discouraged workers and women with short – time work contracts. A second priority is life – long learning, which deserves further developments in a context where the wage differentiation may be an obstacle to the initiatives taken by the less skilled. A third priority is to make possible and affordable a network of caring opportunities, in order to combat gender segmentation. A last priority is the development of social dialogue. Some policy choices made by the government of T. Blair in U.K. go in this direction, especially the creation of public jobs and the establishment of a renewed social dialogue inside firms, centred on training, through “training representatives”.

For the continental regimes, one may again set four priorities. The first is to go beyond the traditional stabilisation and adaptation basis of internal and professional labour markets, by ensuring a local and bargained flexibility for the protected workers<sup>6</sup>. The second would be to a deliberate process of narrowing the gap between protected and non-protected workers according to the work contract they have signed. This implies “inclusive” branch or local

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<sup>6</sup> Here we depart somehow from the prescriptions presented by M. J. Rodrigues 2006, who states that these countries should develop wage and working time flexibility. While the flexibilisation of “internal” and “professional” labour markets appears useful, it should be realised in such a way that the collective employability and motivation of these workers should be enhanced, and without excessive risks for the less skilled of them.

agreements of the type we evoked in Sweden, and a wider and more generous unemployment insurance network. A third priority should be to develop active ageing in the context of an early retirement culture, which means a massive counterbalancing training effort in favour of the less skilled “senior” workers, in order to organise an acceptable lengthening of their careers. The last priority would be to ensure the sustainability of social protection because the existing basis of financing through social taxes is too often vulnerable to the shrinking tendency of “internal” or “professional” labour markets.

For the South of Europe countries (and maybe the countries of Eastern Europe), our eight prescription may add up, since the challenges they face cumulates the problems faced by the Anglo – saxon regimes (regarding their less regulated and informal sector) and the problems faced by the “continental” regimes (regarding public employment and big firms). However, they may have and use other assets, such as strong networks of family solidarity and of non-profit organisations.

## Conclusion

This contribution undertook to specify the policy objective of “flexicurity” from the point of view of “Transitional Labour Markets”. It showed first that an enlarged conception of “flexicurity” emerges when this global and dynamic approach is used: “flexicurity” becomes the collective and bargained management of transitions. One needs to take into account not only the traditional and restrictive “trade-off” popularised by international organisations such as the OECD, but also a wider set of actors and adjustments, notably firms and local entities such as Regions and municipalities.

Then this collective and dynamic version of “flexicurity” has been applied to various European contexts, and our analysis identified several broad “situated” versions, depending on the main adjustments variables available. As a by-product of our analysis, it has been shown that some unduly restrictive and unilateral ways of implementing “flexicurity” are simply dangerous and socially detrimental.

This last result opens an important and often neglected set of questions related to the conception and implementation of “Transitional Labour Markets”. Even if it is connected to an approach in terms of “social risk management”, the promotion of good “transitions” makes it necessary to consider in more detail the stability and credibility of the positions they lead to. “Protected mobility” is a good motto, but mobility towards what? This implies to deal simultaneously with organised transitions *and* stability cores. Beyond the firms and their long-term labour contracts, at least five stability cores emerge: the branch, the trade/occupation, the territory, the local and national public employment and the non-profit organisations and networks. They provide opportunities for jobs and careers, and should be reinforced and managed accordingly by social partners. An important research agenda appears here, and it could be considered as a feedback from the “flexicurity” debate. We shown how this debate may be highlighted by the “Transitional Labour Market” approach; reciprocally this approach may be enriched by considering the achievements and challenges of “flexicurity”.

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